



1999 Tax Calendar

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For Small Businesses



# 1999 Tax Calendar

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## For Small Businesses

This 12-month calendar is filled with useful information on —

General business taxes ■ IRS and SSA customer assistance and electronic options  
Business publications and forms ■ Common tax filing dates ■ Federal legal holidays

Each page highlights a different tax issue that may be relevant to your business. You may find it helpful to read through the entire calendar and then refer back to those pages that pertain to you. You'll find room on each month to add your own notes, such as state tax dates or business appointments.

# Professionals Who Count

## CHOOSING A TAX ADVISOR

You're starting a new business. Like many people, you may find that, with all your new responsibilities, taxes are just too much to deal with. As a result, you may decide to hire a professional tax preparer — someone who is familiar with the various technical terms and implications of business taxes.

Even if you already have a preparer for your personal tax returns, you may want to conduct a search for someone to look after your business taxes. In the end, it may turn out to be the same person, but at least you'll be sure you've got the one best suited to your business needs.

There are many types of tax preparers who may be qualified to help you. Enrolled agents, attorneys, and certified public accountants are all professionals with varying degrees of specialized expertise in finances and federal taxes.

Before selecting a person or firm to handle your business, ask a few questions to see if they offer the services and experience you are looking for.

**Experience:** Have they worked with businesses similar to yours in size and number of employees? Are they familiar with the general trends in your particular line of business? Do they know about the current tax regulations relating to your type of business? Do they offer the electronic filing and payment options you want?

**Price:** What do they offer for the fee they are quoting, and will they guarantee that price? Is it a limited-service fee, or is continuing training and year-round service included? If your return is examined by the IRS, what's their policy on assisting you, and do they charge extra?

**References:** Ask for a list of clients or others you can contact.

### Calendar Year vs. Fiscal Year

A year is a year, right? Yes and no. All years are twelve months long, but different types of businesses may use different types of "tax years" when it comes to figuring their taxable income. A tax year is an annual accounting period for keeping records and reporting income and expenses.

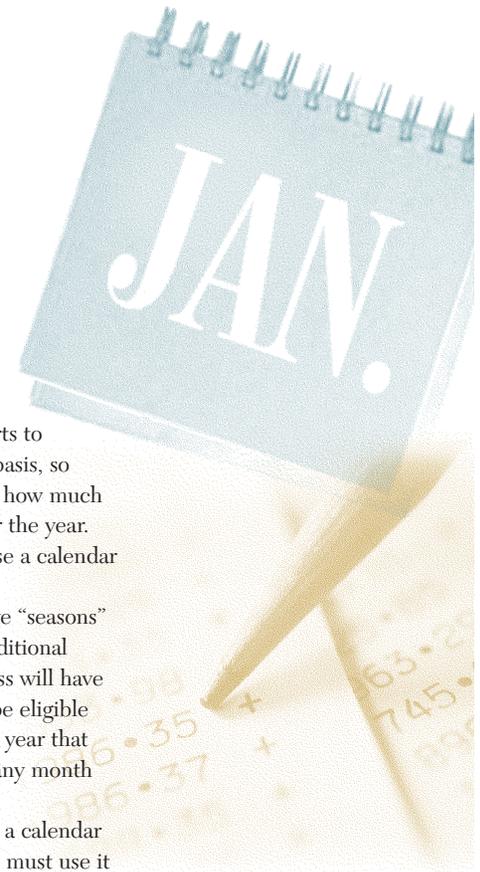
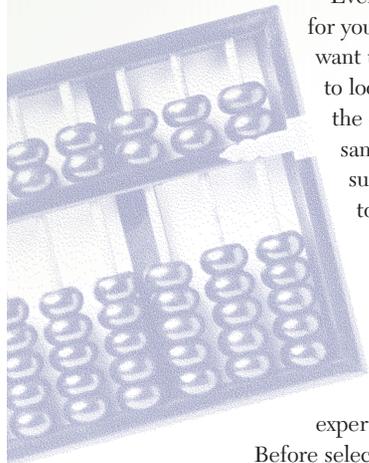
A calendar year runs from January 1 through December 31. One of the advantages of a calendar year to small business owners is that payers of interest,

dividends and many other kinds of income send their reports to you on a calendar year basis, so it is easier to determine how much income you received for the year. Most sole proprietors use a calendar year accounting period.

Some businesses have "seasons" that don't follow the traditional calendar. If your business will have such seasons, you may be eligible to use a 12-month fiscal year that ends on the last day of any month except December.

Whether you choose a calendar year or a fiscal year, you must use it on your first tax return and for all your records and reporting. Usually, you must get IRS approval to change your tax year once you have established it by filing a Form 1128.

*Get free IRS Publication 538, "Accounting Periods and Methods."*



S M T W T F S

# January

1 2  
New Year's Day

3 4 5 6 7 8 9  
Deposit payroll tax for payments on Jan 1. Deposit payroll tax for payments on Jan 2-5.

10 11 12 13 14 15 16  
Deposit fuel, luxury, retail and manufacturers taxes for the last 16 days of Dec. Deposit payroll tax for payments on Jan 6-8. Deposit gas, diesel fuel and kerosene taxes for the last 16 days of Dec if the 14-day rule applies. Deposit payroll tax for payments on Jan 9-12. Deposit payroll tax for payments in Dec 1998 if the monthly deposit rule applies. Pay the final installment of your 1998 estimated tax using Form 1040-ES.

17 18 19 20 21 22 23  
Martin Luther King Jr. Day Deposit payroll tax for payments on Jan 13-15. Deposit payroll tax for payments on Jan 16-19.

24/31 25 26 27 28 29 30  
Deposit fuel, luxury, retail and manufacturers taxes for the first 15 days of Jan. Deposit payroll tax for payments on Jan 20-22. Deposit payroll tax for payments on Jan 23-26. Deposit gas, diesel fuel and kerosene taxes for the first 15 days of Jan if the 14-day rule applies.

*Businesses that pay more than \$50,000 in payroll taxes yearly or more than \$50,000 in other depository taxes yearly should enroll in the Electronic Federal Tax Payment System (EFTPS) and make their tax payments electronically as required.*

# Countdown To a Great Launch

## TAX CONSIDERATIONS FROM DAY ONE

Like many new business owners, you may find money is tight, but don't skimp on paying your taxes. You may have to estimate what your 1999 taxes will be and pay them in installments during the year, instead of all at once when you file your tax return.

Federal income taxes are usually withheld from your wages by your employer. However, you may also have to make tax payments during the year on other sources of income. The self-employed, persons with investment income, and those with other income not subject to withholding may need to make quarterly tax payments.

In general, you must make estimated tax payments for 1999 if the amount you'll owe on your 1999 tax return will be \$1,000 or more and:

- less than 90 percent of your total tax liability for 1999 will be covered by your withholding and tax credits, or
- your withholding and tax credits will be less than 100 percent of the tax shown on your 1998 return if it covered all 12 months.

By enrolling in the Electronic Federal Tax Payment System (EFTPS), you can make your quarterly estimated tax payments by telephone or personal computer. Call the EFTPS Customer Service number for information on enrolling. 1-800-555-4477 or 1-800-945-8400.

If your business is not required to use EFTPS, you can still make your quarterly estimated tax payments by sending in your payment with a Form 1040-ES payment voucher to the address listed for your state in the Form 1040-ES instructions. Claim the payments you made when you file your 1999 federal tax return. You can use Form 1040 or 1040A, but not Form 1040EZ.

*Get free IRS Publication 505, "Tax Withholding and Estimated Tax."*

### Start-Up Costs

It seems the hardest part of any task is getting it started. That's especially true when you are getting ready to go into business for yourself. Before you even open your doors, you invest a lot of effort and money. These start-up costs could include advertisements for your grand opening, a survey of potential markets, salaries or wages of employees in training, costs for contacting suppliers, and fees for professional services, like a CPA. These costs are considered capital expenses and are part of your basis in the business.

You may elect to amortize your business start-up costs over a period of 60 months or more. Amortizable costs include start-up costs and certain organizational costs for a partnership or corporation. The costs must be paid or incurred to operate an existing trade or business, and you must pay or incur costs before you begin business operation.

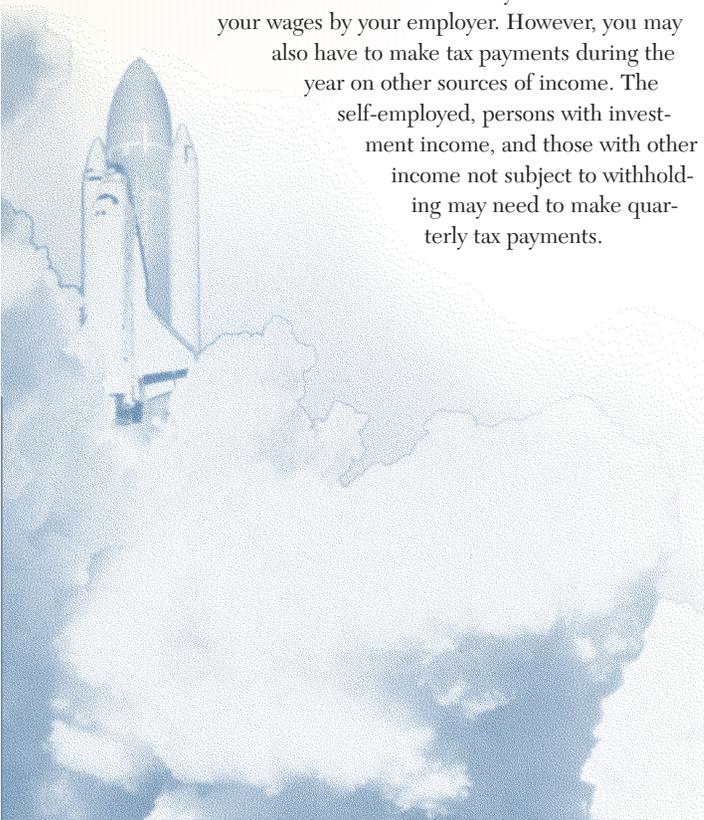
To elect to amortize your costs, you must file IRS Form 4562, "Depreciation and Amortization," and attach it to your tax return for the first year you're in business. Attach a separate statement describing each of the costs in detail.

*Get free IRS Publication 535, "Business Expenses."*

### Distressed Communities Offer Tax Incentives

Several tax advantages are available to businesses that establish themselves or operate in a distressed community. Additional advantages are available if the community has been designated as an Empowerment Zone or Enterprise Community.

*Get free IRS Publication 954, "Tax Incentives for Empowerment Zones and Other Distressed Communities."*



**S M T W T F S**

**1**

Give employees their copies of Form W-2 for 1998.  
File Form 941 for the 4th quarter of 1998.  
File Form 940 (or 940-EZ) for 1998.  
Give annual information statements to recipients of certain payments you made during 1998.  
File Form 720 for the 4th quarter of 1998.  
File Form 730 and pay the tax on wagers accepted during Dec.  
File Form 2290 and pay heavy vehicle use tax (or the 1st installment) for vehicles first used in Dec.

**2**

**3**

Deposit payroll tax for payments on Jan 27-29.

**4**

**5**

Deposit payroll tax for payments on Jan 30-Feb 2.

**6**

**7**

**8**

**9**

Deposit fuel, luxury, retail and manufacturers taxes for the last 16 days of Jan.

**10**

Deposit payroll tax for payments on Feb 3-5.

**11**

**12**

Deposit payroll tax for payments on Feb 6-9.  
Deposit gas, diesel fuel and kerosene taxes for the last 16 days of Jan if the 14-day rule applies.

**13**

**14**

**15**

**Presidents Day**

**16**

Deposit payroll tax for payments in Jan if the monthly deposit rule applies.

**17**

**18**

Deposit payroll tax for payments on Feb 10-12.

**19**

Deposit payroll tax for payments on Feb 13-16.

**20**

**21**

**22**

**23**

**24**

Deposit payroll tax for payments on Feb 17-19.  
Deposit fuel, luxury, retail and manufacturers taxes for the first 15 days of Feb.

**25**

**26**

Deposit payroll tax for payments on Feb 20-23.

**27**

**28**

Use  
941TeleFile  
to file your  
quarterly return  
by phone  
if you are  
eligible.

# February

# Establishing Your M.O.

## SETTING UP YOUR ACCOUNTING METHOD

### Debits and Credits: Present and Accounted For

If you decide to keep your own books, or even if you hire an accountant, you need to know a few things about accounting methods, like what they are and how they work. An accounting method is simply a set of rules covering when and how you report your income and expenses. You choose your method of accounting when you file your first tax return. The two most commonly used accounting methods are the cash method and an accrual method.

**Cash Method.** This is the accounting method most people use, and it may be appropriate for your small business if you have no inventory. Determining your gross income with the cash method is merely a matter of

adding up the cash, checks, and fair market value of property and services you received during the year. Using this method, your income for the year includes all the checks you receive, regardless of when you cash the checks or withdraw the money. You cannot avoid paying tax by holding on to checks or credit card charge slips.

Using the cash method, your business expenses are usually deducted in the year you actually pay them. For example, you ordered some office supplies from a mail-order catalogue in November 1998 and they arrived in December. You sent a check to pay for them in January 1999. Under the cash method, that business expense deduction should be claimed on your 1999 tax return because that's the year you paid for the supplies.

**Accrual Method.** This method of accounting is essentially the opposite of the cash method. Its main purpose is to match your income with the expenses you incurred producing that income. If you maintain an inventory in your business, you must use an accrual method for purchases and sales.

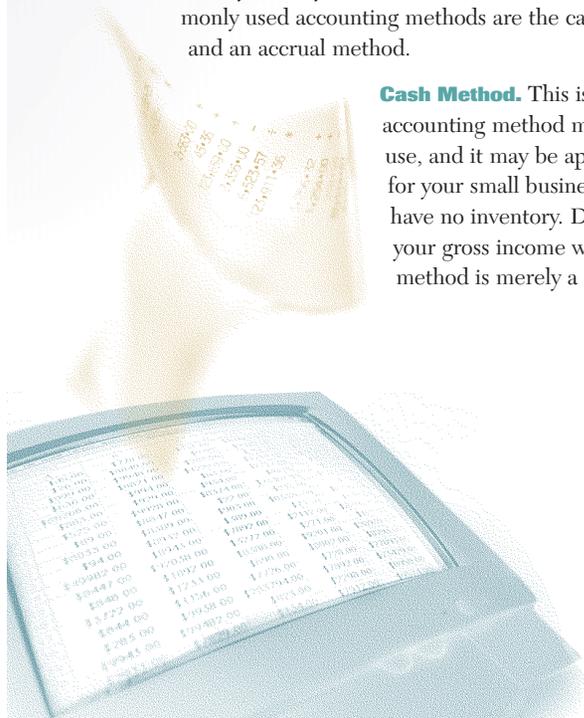
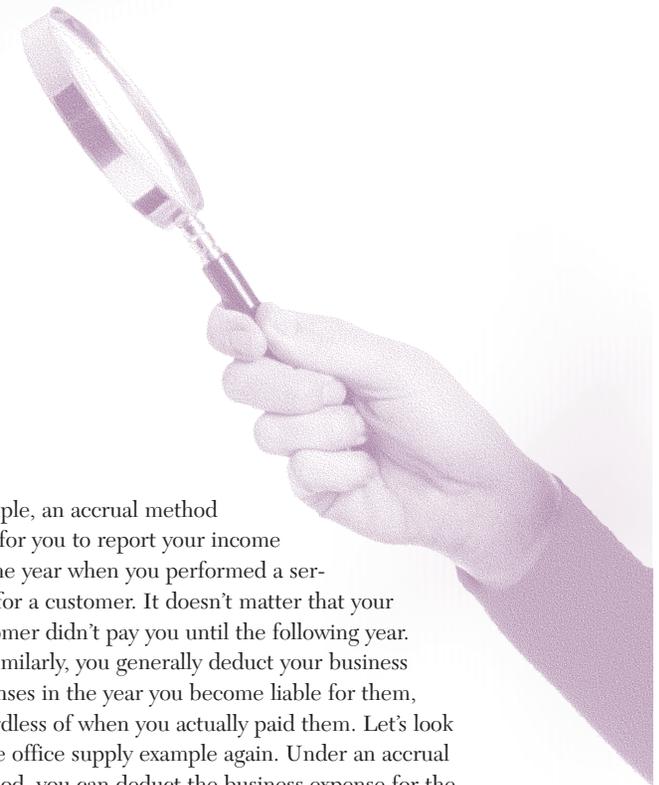
Under an accrual method, income is reported in the year you had a right to receive it, even if you actually received the income in a different year. For

example, an accrual method calls for you to report your income for the year when you performed a service for a customer. It doesn't matter that your customer didn't pay you until the following year.

Similarly, you generally deduct your business expenses in the year you become liable for them, regardless of when you actually paid them. Let's look at the office supply example again. Under an accrual method, you can deduct the business expense for the supplies on your 1998 tax return, the year you ordered the supplies and they were delivered. You can deduct the expense in 1998 because that's when you became liable for the expense.

Once you decide which accounting method is the right one for your business, you must be consistent. You must use the same method from year to year, unless you get special permission from the IRS to change methods. You may be able to use one method for your business and another one for your personal affairs, as long as you can accurately reflect your income and expenses for tax purposes.

*Get free IRS Publication 538, "Accounting Periods and Methods."*



S M T W T F S

1

Deposit gas, diesel fuel and kerosene taxes for the first 15 days of Feb if the 14-day rule applies.  
File Form W-3, "Transmittal of Wage and Tax Statements," along with Copy A of all Forms W-2 you issued for 1998.  
File Form 730 and pay the tax on wagers accepted during Jan.  
File Form 2290 and pay heavy vehicle use tax (or the 1st installment) for vehicles first used in Jan.  
File information returns for certain payments made during 1998.

2

3

Deposit payroll tax for payments on Feb 24-26.

4

5

Deposit payroll tax for payments on Feb 27-Mar 2.

6

7

8

9

Deposit fuel, luxury, retail and manufacturers taxes for the last 13 days of Feb.

10

Deposit payroll tax for payments on Mar 3-5.

11

12

Deposit payroll tax for payments on Mar 6-9.  
Deposit gas, diesel fuel and kerosene taxes for the last 13 days of Feb if the 14-day rule applies.

13

14

15

Deposit payroll tax for payments in Feb if the monthly deposit rule applies.  
**Corporations.** File a 1998 calendar year tax return (Form 1120 or 1120A).  
**S corporations.** File a 1998 calendar year tax return (Form 1120S). Provide shareholders with a copy of Sch. K-1.

16

17

Deposit payroll tax for payments on Mar 10-12.

18

19

Deposit payroll tax for payments on Mar 13-16.

20

21

22

23

24

Deposit payroll tax for payments on Mar 17-19.  
Deposit fuel, luxury, retail and manufacturers taxes for the first 15 days of Mar.

25

26

Deposit payroll tax for payments on Mar 20-23.

27

28

29

Deposit gas, diesel fuel and kerosene taxes for the first 15 days of Mar if the 14-day rule applies.

30

31

Deposit payroll tax for payments on Mar 24-26.  
File Form 730 and pay the tax on wagers accepted during Feb.  
File Form 2290 and pay heavy vehicle use tax (or the 1st installment) for vehicles first used in Feb.

For more information on other excise taxes and the deposit dates, see Publication 509, "Tax Calendars for 1999," and Publication 510, "Excise Taxes for 1999."

March

# Go Electronic With Your Taxes

## EASIER WAYS TO FILE AND PAY

### File Form 941 by Phone

Some business owners may find a little extra time on their hands — because they were able to save time by filing their Form 941 tax returns over the telephone. The IRS will send eligible business owners the 941TeleFile instructions in the mail with their regular Employer's Quarterly Federal Tax Return. This allows them to file these tax returns with a toll-free phone call.

If you are eligible to 941TeleFile, just fill in the tax record, make about a 10-minute call and follow the step-by-step instructions. The computer does the math, tells you the IRS accepts the return and gives a confirmation number to write down on the tax record that you keep as proof of filing.

### The Easiest Way to Pay Your Taxes

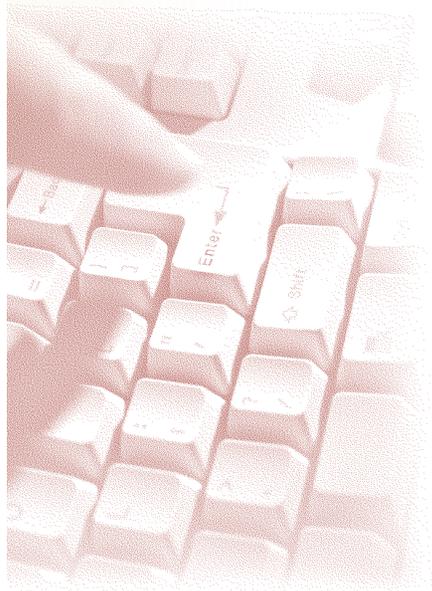
Every day more businesses discover the convenience of paying their taxes electronically through the Electronic Federal Tax Payment System (EFTPS).

EFTPS is a fast, easy, accurate, and economical way to initiate your federal tax payments using a telephone or personal computer or through a service offered by a financial institution. You don't need any special equipment to use EFTPS, and you eliminate

the need for paper coupons, writing checks, and making trips to the bank.

Millions of businesses now pay their taxes electronically through EFTPS because it's so convenient. Certain businesses are required to use EFTPS; however, the system is available to all taxpayers who want to enroll.

Need more information or want to enroll? Call EFTPS Customer Service at 1-800-945-8400 or 1-800-555-4477 or visit the IRS Web site ([www.irs.ustreas.gov](http://www.irs.ustreas.gov)).



S M T W T F S

# April

1 2 3

Deposit payroll tax for payments on Mar 27-30.

4 5 6 7 8 9 10

Deposit payroll tax for payments on Mar 31-Apr 2.

Deposit payroll tax for payments on Apr 3-6.  
Deposit fuel, luxury, retail and manufacturers taxes for the last 16 days of Mar.

11 12 13 14 15 16 17

Deposit payroll tax for payments on Apr 7-9.  
Deposit gas, diesel fuel and kerosene taxes for the last 16 days of Mar if the 14-day rule applies.

Dep. payroll tax for payments in Mar if the monthly dep. rule applies.  
File Form 1040, 1040A, or 1040-EZ and pay any tax due.  
**Ind.** Pay the 1st inst. of est. tax for 1999.  
**Part.** File a 1998 calendar year return (Form 1065). Provide each partner with a copy of Sch. K-1.  
**Corp.** Dep. the 1st inst. of your est. tax for 1999.

Deposit payroll tax for payments on Apr 10-13.

18 19 20 21 22 23 24

Deposit payroll tax for payments on Apr 14-16.

Deposit payroll tax for payments on Apr 17-20.

25 26 27 28 29 30

Deposit fuel, luxury, retail and manufacturers taxes for the first 15 days of Apr.

Deposit payroll tax for payments on Apr 21-23.

Deposit gas, diesel fuel and kerosene taxes for the first 15 days of Apr if the 14-day rule applies.

Deposit payroll tax for payments on Apr 24-27.  
File Form 941 for the 1st quarter of 1999.  
Deposit FUTA tax owed through Mar if more than \$100.  
File Form 720 for the 1st quarter of 1999.  
File Form 730 and pay the tax on wagers accepted during Mar.  
File Form 2290 and pay heavy vehicle use tax (or the 1st installment) for vehicles first used in Mar.

Use  
941TeleFile  
to file your  
quarterly return  
by phone  
if you are  
eligible.

# And For The Record...

## KEEPING GOOD BUSINESS RECORDS IS VITAL

Keeping your business records in a filing system may be last on your list of priorities, but it's just as important as any other aspect of your business, especially if you're on a tight budget. Every receipt saved could translate into a deduction on your tax return.

So, what's the best way to keep good records? It doesn't have to be complicated. Use any system you like to keep books and inventory records, as long as you clearly and accurately show your gross income and expenses.

Your tax records must back up all the tax deductions and credits you claim on your tax return. Keep careful track of all your income and where it comes from. It's important to separate your business and personal receipts and your taxable and nontaxable income.

Be careful if you transfer some of your personal funds into your business account, essentially making a "loan" to the business. Keep complete records of that transaction so that you don't include the money in your taxable business income by mistake.

### Expenses

Record your expenses when you actually incur them. It's easy to forget about some of last year's expenses when you're filling out your tax return. Overlooking deductible expenses can cost you.

### Assets

Your business assets are the property and equipment you use for your business. Keep a complete and detailed record of your assets, showing when you acquired them, how much they cost and how much you use them in your business. This detailed record will allow you to depreciate your assets properly and report the correct gain or loss if you ever dispose of them.

### Self-Employment Earnings

If you are self-employed, you must pay self-employment tax instead of the Social Security tax that employees pay. This tax provides your Social Security benefits when you retire or are disabled. The amount of benefits you receive depends on how much you earn and contribute to the Social Security system.

### Car Expenses

It's important to get into the habit of recording your business mileage at the time you actually use your car. Try keeping a log book in the glove compartment and jotting down the mileage at the beginning and end of

each business-related trip. Record parking fees and tolls, and save your insurance and repair receipts.

### Payroll Taxes

If you have employees, you must keep all records dealing with federal employment taxes for at least four years. Make sure your records include your employer identification number, the confirmation number or tax record from any electronic payments, copies of the tax returns you filed, and the dates and amounts of all the employment tax deposits you have made.

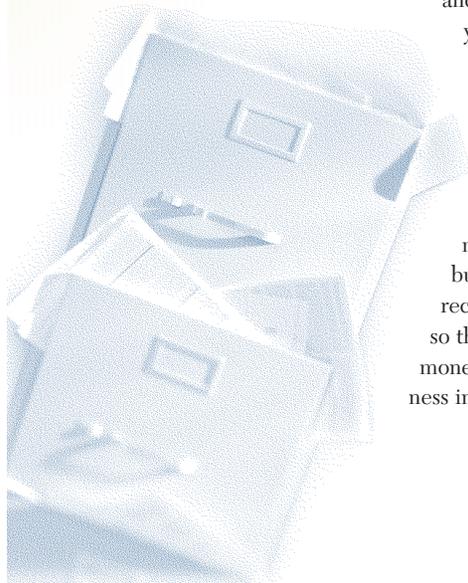
Keep track of your employees' Social Security and Medicare (FICA) taxes in the same way: record the date and amount of each paycheck, and the date and amount of the taxes you withheld.

You must also keep a record of the federal unemployment (FUTA) tax you paid. Record the total amount you paid for each employee and the amount you paid into the state unemployment fund.

### Travel and Entertainment

Keep all business-related travel and entertainment receipts. Indicate the exact business reason for these expenses.

*Get free IRS Publication 583, "Starting a Business and Keeping Records."*



S M T W T F S

# May

1  
2 3 4 5 6 7 8

Deposit payroll tax for payments on Apr 28-30.

Deposit payroll tax for payments on May 1-4.

9 10 11 12 13 14 15

Deposit fuel, luxury, retail and manufacturers taxes for the last 15 days of Apr.

Deposit payroll tax for payments on May 5-7.

Deposit payroll tax for payments on May 8-11.  
Deposit gas, diesel fuel and kerosene taxes for the last 15 days of Apr if the 14-day rule applies.

16 17 18 19 20 21 22

Deposit payroll tax for payments in Apr if the monthly deposit rule applies.

Deposit payroll tax for payments on May 12-14.

Deposit payroll tax for payments on May 15-18.

23/30 24/31 25 26 27 28 29

Deposit fuel, luxury, retail and manufacturers taxes for the first 15 days of May.

**31st - Memorial Day**

Deposit payroll tax for payments on May 19-21.

Deposit payroll tax for payments on May 22-25.  
Deposit gas, diesel fuel and kerosene taxes for the first 15 days of May if the 14-day rule applies.

Get business tax information or download forms and publications at [www.irs.ustreas.gov](http://www.irs.ustreas.gov) on the Internet.

# Lose It While You Use It

## DEPRECIATING YOUR ASSETS

As years go by, business equipment loses its value. It ages, deteriorates, or becomes obsolete. You can get back your cost of certain property by taking deductions for depreciation.

To depreciate property, it must be used in business or held to produce income, have a determinable useful life of more than one year, and must be something that wears out, decays, or becomes obsolete.

You can begin to depreciate the property as soon as it is ready to be used, not when you actually put it to use. You stop depreciating

the property when you've recovered its cost or when you stop using it.

The kind of property you own affects how, or even if, you can claim a depreciation deduction. Property falls into two categories: tangible and intangible.

**Tangible property** can be seen or touched like buildings, cars, machinery, or equipment. If you own tangible property that you use for both personal and business purposes, you may take deductions based only on the business use. Depreciate only the part of the property that loses value. Some things do not depreciate in value and can't be deducted at all. For example, you can't depreciate the cost of land because it does not wear out or become obsolete. The cost of inventory does not qualify for the depreciation deduction, either.

**Intangible property** is generally any property that has value, but can't be seen or touched. For example, copyrights, franchises, or patents are intangible property. You must either amortize or depreciate the cost of intangible property.

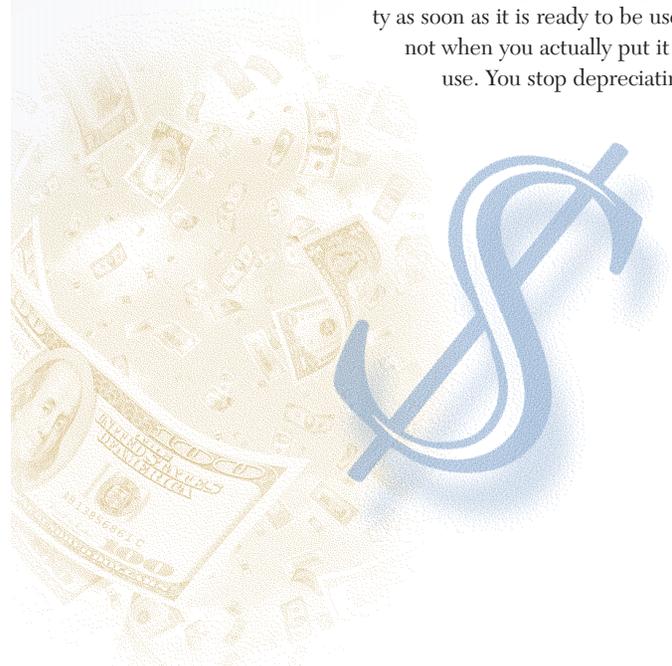
**To claim depreciation deductions**, get Form 4562, "Depreciation and Amortization," and its instructions.

If you can't wait to recover your money a little at a time, you can deduct all or part of the cost of the property used in your business in the year you placed it in service. This is called the section 179 deduction. The advantage to claiming the section 179 deduction is that you get to deduct more up front, which can be helpful to a fledgling business with a tight cash flow. Like depreciation deductions, you can claim the section 179 deduction only when your property is ready to be used.

But there are a few limitations. You can't claim the deduction on property with a cost of \$218,000 or more. The maximum section 179 deduction for 1998 is \$18,500 and you can't deduct costs in excess of your taxable income from your trades and businesses plus your wages and salaries for the year.

To claim the section 179 deduction, file Form 4562 and attach it to your tax return.

*Get free IRS Publication 946, "How to Depreciate Property."*



**S M T W T F S**

**1**

File Form 730 and pay the tax on wagers accepted during Apr.  
File Form 2290 and pay heavy vehicle use tax for vehicles first used in Apr.

**2**

**3**

Deposit payroll tax for payments on May 26-28.

**4**

Deposit payroll tax for payments on May 29-Jun 1.

**5**

**6**

**7**

**8**

**9**

Deposit payroll tax for payments on Jun 2-4.  
Deposit fuel, luxury, retail and manufacturers taxes for the last 16 days of May.

**10**

**11**

Deposit payroll tax for payments on Jun 5-8.

**12**

**13**

**14**

Deposit gas, diesel fuel and kerosene taxes for the last 16 days of May if the 14-day rule applies.

**15**

Deposit payroll tax for payments in May if the monthly deposit rule applies.  
**Individuals.** Pay the 2nd installment of your estimated tax for 1999.  
**Corporations.** Deposit the 2nd installment of your estimated tax for 1999.

**16**

Deposit payroll tax for payments on Jun 9-11.

**17**

**18**

Deposit payroll tax for payments on Jun 12-15.

**19**

**20**

**21**

**22**

**23**

Deposit payroll tax for payments on Jun 16-18.

**24**

Deposit fuel, luxury, retail and manufacturers taxes for the first 15 days of Jun.

**25**

Deposit payroll tax for payments on Jun 19-22.

**26**

**27**

**28**

**29**

Deposit gas, diesel fuel and kerosene taxes for the first 15 days of Jun if the 14-day rule applies.

**30**

Deposit payroll tax for payments on Jun 23-25.  
File Form 730 and pay the tax on wagers accepted during May.  
File Form 2290 and pay heavy vehicle use tax for vehicles first used in May.

*Get  
tax forms  
by fax — dial  
703-368-9694  
from your fax  
machine.*

June

# Don't Get Personal!

(WITH YOUR BUSINESS EXPENSES)

When you figure out the tax your business will be paying this year, one of your most important tasks will be to make sure you claim all the business expense deductions you are entitled to. Reducing your taxable income through business deductions means you'll owe less tax, and there is no reason to pay more tax than the law requires.

Let's look at the basic rules covering business expenses. To be deductible, a business expense must be what the tax law calls an "ordinary and necessary" expenditure. An ordinary expense is one that is common and accepted in your field of business. A necessary expense is one that is helpful and appropriate to your business. That rules out any expenses that are strictly personal in nature.

These definitions highlight a major problem for some smaller businesses. Many people who run their own one-person business never bother to set up a business bookkeeping system separate from their personal one. Their checking account serves as both a personal and a business account.

Most professional tax consultants recommend that you open a separate business bank account. Your bank may charge you an extra fee, but the new account will more than pay for itself in accounting efficiency alone.

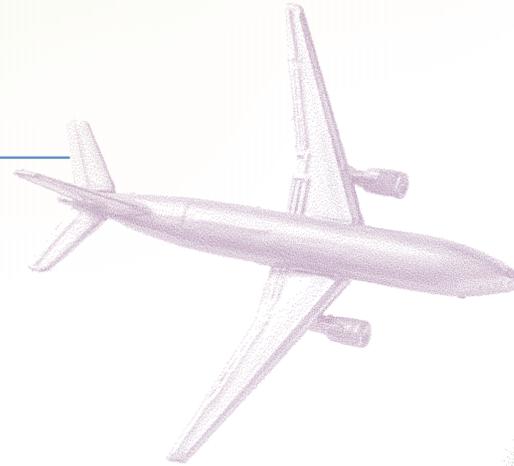
## Car Expenses

Cars are an example of something that is used for both business and personal purposes. You can only deduct expenses for the business use of your car.

You must be able to show the details of all business-related use. To do this, you need a log book, diary or calendar to record car usage. Show business mileage, why and when you use the car, and write it down at the time you actually make the trip. If you are claiming only a part of the car's use as a business deduction, you must be able to show that your business use was a reasonable percentage of the total.

## Home Expenses

Using a part of your home for business is another example of something used for both business and personal purposes. You must meet specific tests before you can claim a deduction for the business use of your home. Among other things, you must show that the area you use for business is never used for personal purposes.



To figure the part of your home operating expenses that are for business use, you must figure the percentage of your home used for business.

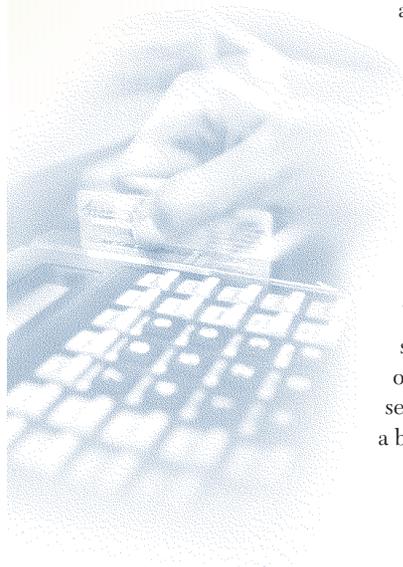
To find the business percentage, compare the size of the business part of your home to your whole home. For example, if all the rooms in your home are of about equal size and you use one room in your six room house, then one-sixth of your home operating expenses may be business related.

## Travel and Entertainment

For travel and entertainment expenses, you must make a distinction between personal and business. Claiming a business deduction is a matter of proving conclusively that the travel or entertainment was primarily business related.

Problem areas can include out-of-town conventions featuring non-business activities or the cost of extremely luxurious hotel accommodations. The IRS is likely to view these as personal expenses and require clear proof of the portion of the expenses that meet the ordinary and necessary tests.

*Get free IRS Publication 535, "Business Expenses," and Publication 463, "Travel, Entertainment, Gift, and Car Expenses."*



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# July

1

File Form 11-C to register and pay the annual occupational excise tax if you are in the business of taking wagers.

2

Deposit payroll tax for payments on Jun 26-29.

3

4

Independence Day

5

Independence Day federal legal holiday

6

7

8

Deposit payroll tax for payments on Jun 30-Jul 2.

9

Deposit payroll tax for payments on Jul 3-6.  
Deposit fuel, luxury, retail and manufacturers taxes for the last 15 days of Jun.

10

11

12

13

14

Deposit payroll tax for payments on Jul 7-9.  
Deposit gas, diesel fuel and kerosene taxes for the last 15 days of Jun if the 14-day rule applies.

15

Deposit payroll tax for payments in Jun if the monthly deposit rule applies.

16

Deposit payroll tax for payments on Jul 10-13.

17

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21

Deposit payroll tax for payments on Jul 14-16.

22

23

Deposit payroll tax for payments on Jul 17-20.

24

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26

Deposit fuel, luxury, retail and manufacturers taxes for the first 15 days of Jul.

27

28

Deposit payroll tax for payments on Jul 21-23.

29

Deposit gas, diesel fuel and kerosene taxes for the first 15 days of Jul if the 14-day rule applies.

30

Deposit payroll tax for payments on Jul 24-27.

31

*Know your rights as a taxpayer— get Publication 1.*

# Independent? It Depends.

## INDEPENDENT CONTRACTOR VS. EMPLOYEE STATUS

When you hire an expert for special skills or professional guidance, they are either independent contractors or employees, and understanding the difference is crucial when it comes to recordkeeping and tax reporting. To determine if a worker is an independent contractor or an employee, consider behavioral control, financial control, and relationship of the parties.

### Behavioral Control

Generally, anyone who performs services for you is your employee if you have the right to control what will be done and how it will be done.

### Financial Control

Who directs or controls the business aspects of work? Independent contractors are in business for themselves, offer their services to the market, and have a significant financial investment in the facilities used in performing services. They are more likely to have unreimbursed business expenses than employees and can realize a profit or incur a loss.

### Relationship of the Parties

How do you and the worker perceive your relationship? A permanent relationship and worker benefits generally indicate an employer-employee relationship. However, the substance of the relationship determines whether your workers are employees, not a job title or written contract.

If you're confused about whether your bookkeeper, office handyman, or neighbor's son is an independent contractor or employee, you can ask the IRS to help you figure it out. Fill out Form SS-8, "Determination of Employee Work Status for Purposes of Federal Employment Taxes and Income Tax Withholding."

### Hiring Employees

Generally, you must withhold income tax on employees' wages, withhold the Social Security and Medicare (FICA) taxes, and contribute your share of FICA taxes as the employer, and pay unemployment (FUTA) tax.

Generally, you must deposit these taxes on a specific schedule at a qualified financial institution or through the Electronic Federal Tax Payment System. By January 31 of the following year, you must give a Form W-2, "Wage and Tax Statement," to your employees showing the amount of their wages and

taxes withheld and file a copy with the Social Security Administration by February 28.

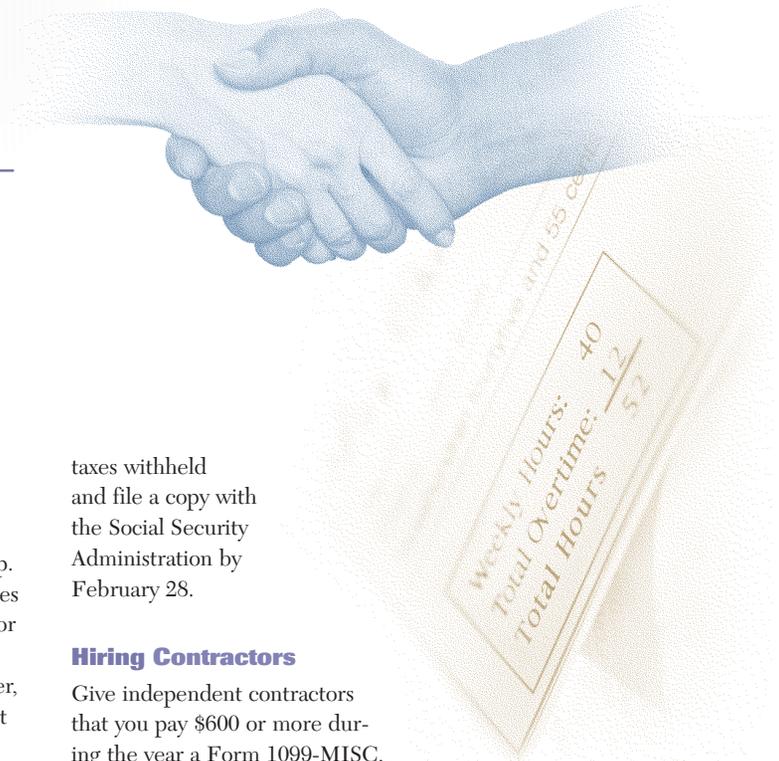
### Hiring Contractors

Give independent contractors that you pay \$600 or more during the year a Form 1099-MISC, "Miscellaneous Income," by January 31 of the following year. File a copy with the IRS by February 28.

### Statutory Employees and Nonemployees

Certain categories of workers are considered by law to be statutory employees; other categories are considered by law to be independent contractors. See Publication 15-A.

*Get free IRS Publication 1779, "Independent Contractor or Employee," and Publication 15-A, "Employer's Supplemental Tax Guide."*



**S M T W T F S**

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**1** **2** **3** **4** **5** **6** **7**

File Form 941 for the 2nd quarter of 1999.  
Deposit FUTA tax owed through Jun if more than \$100.  
File Form 720 for the 2nd quarter of 1999.  
File Form 730 and pay the tax on wagers accepted during Jun.  
File Form 2290 and pay heavy vehicle use tax for vehicles first used in Jun.

Deposit payroll tax for payments on Jul 28-30.

Deposit payroll tax for payments on Jul 31-Aug 3.

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**8** **9** **10** **11** **12** **13** **14**

Deposit fuel, luxury, retail and manufacturers taxes for the last 16 days of Jul.

Deposit payroll tax for payments on Aug 4-6.

Deposit payroll tax for payments on Aug 7-10.  
Deposit gas, diesel fuel and kerosene taxes for the last 16 days of Jul if the 14-day rule applies.

---

**15** **16** **17** **18** **19** **20** **21**

Deposit payroll tax for payments in Jul if the monthly deposit rule applies.

Deposit payroll tax for payments on Aug 11-13.

Deposit payroll tax for payments on Aug 14-17.

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**22** **23** **24** **25** **26** **27** **28**

Deposit fuel, luxury, retail and manufacturers taxes for the first 15 days of Aug.

Deposit payroll tax for payments on Aug 18-20.

Deposit payroll tax for payments on Aug 21-24.  
Deposit gas, diesel fuel and kerosene taxes for the first 15 days of Aug if the 14-day rule applies.

---

**29** **30** **31**

File Form 730 and pay the tax on wagers accepted during Jul.  
File Form 2290 and pay heavy vehicle use tax (or the 1st installment) for vehicles first used in Jul.

# August

Use  
*941TeleFile*  
to file your  
quarterly return  
by phone  
if you are  
eligible.

# A Forum On Forms

## KEEPING PAYROLL RECORDS

You enter another realm of tax reporting and record-keeping when you hire employees. Nowhere are good records more important than when it comes to your employee payroll records, not only for your own benefit, but also for the benefit of your employees.

Here is a sampling of records to keep.

**Form W-4, “Employee’s Withholding Allowance Certificate:”** Give all new employees this form that they must fill out and return to you. The W-4 shows their filing status and how many withholding allowances they claim.

**Form W-5, “Earned Income Credit Advance Payment Certificate:”**

This credit provides extra help for low-income employees. The advance credit reduces their withheld tax.

Eligible employees who want advance payments must fill out Form W-5 and submit it to you.

**Hours:** Keep a complete record of how many hours each employee worked for you during the year.

**Wages:** Record all the wages you paid to every employee.

**Tips:** If your business is one where employees receive tips from customers, your employees generally have to report the tips to you.

**Withholding:** Keep track of withheld federal income tax, Social Security and Medicare taxes, state withholding and city withholding taxes, advance earned income credit payments, and the net amount paid to each employee during the year.

**Form W-2, “Wage and Tax Statement:”** This is the annual statement you give employees showing their earnings and withholding for the year. You must give it to them by January 31 of the following year.

**FUTA:** Generally, you must figure federal unemployment tax on the first \$7,000 of each employee’s earnings. Keep close track of the dates and amounts of each check you paid to your employees so you’ll be able to figure out the FUTA tax and when deposits are due. You must file your FUTA return by January 31 of the following year. If you file electronically, keep a copy of the tax record. If you mail in Form 940, keep a copy.

**Federal Tax Deposits (FTDs):** If you don’t deposit electronically, the FTD coupon accompanies your tax deposit to inform the IRS of the type of taxes being deposited, the amount and the period to which they are to be applied. If you make your FTDs electronically

through the Electronic Federal Tax Payment System (EFTPS), keep a record of your confirmation number for each payment and a copy of your tax record.

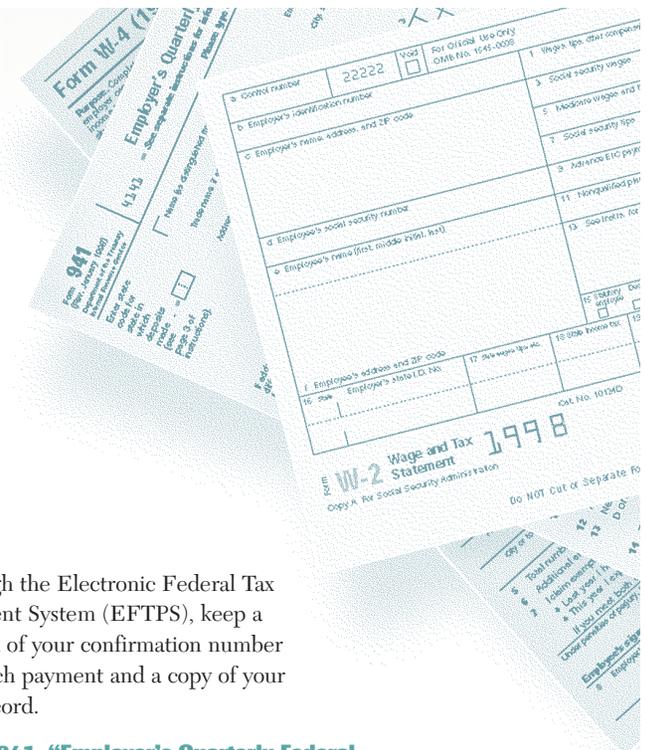
**Form 941, “Employer’s Quarterly Federal Tax Return:”** This is your quarterly report of income tax withheld, Social Security, and Medicare taxes. Make a copy for your records.

**Form 1099-MISC, “Miscellaneous Income:”** Use this form to report certain payments you make in your business. For example —

- Payments of \$10 or more for royalties;
- Payments of \$600 or more for rents, prizes, and awards for services rendered; and
- Payments of \$600 or more to persons who were not your employees, such as independent contractors.

Do yourself a favor by keeping your employees’ information organized and in a safe place. Not only will you be able to take full advantage of all your deductions for payroll taxes, you’ll also be able to avoid costly penalties and interest for late payments or errors on returns.

Get free IRS Publication 15, “Circular E, Employer’s Tax Guide.”



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# September

1

Deposit payroll tax for payments on Aug 25-27.

2

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Deposit payroll tax for payments on Aug 28-31.

4

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Labor Day

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9

Deposit payroll tax for payments on Sep 1-3.  
Deposit fuel, luxury, retail and manufacturers taxes for the last 16 days of Aug.

10

Deposit payroll tax for payments on Sep 4-7.

11

12

13

14

Deposit gas, diesel fuel and kerosene taxes for the last 16 days of Aug if the 14-day rule applies.

15

Deposit payroll tax for payments on Sep 8-10.  
Deposit payroll tax for payments in Aug if the monthly deposit rule applies.  
**Individuals.** Pay the 3rd installment of your estimated tax for 1999.  
**Corporations.** Deposit the 3rd installment of your estimated tax for 1999.

16

17

Deposit payroll tax for payments on Sep 11-14.

18

19

20

21

22

Deposit payroll tax for payments on Sep 15-17.

23

24

Deposit payroll tax for payments on Sep 18-21.  
Deposit fuel, luxury, retail and manufacturers taxes for the first 15 days of Sep.

25

26

27

28

For the period beginning Sep 16 and ending Sep 25, deposit fuel, luxury, retail and manufacturers taxes. For the same period, deposit gas, diesel fuel and kerosene taxes if the 14-day rule applies.

29

Deposit payroll tax for payments on Sep 22-24.  
Deposit gas, diesel fuel and kerosene taxes for the first 15 days of Sep if the 14-day rule applies.

30

File Form 730 and pay the tax on wagers accepted during Aug.  
File Form 2290 and pay heavy vehicle use tax (or the 1st installment) for vehicles first used in Aug.

*Businesses that pay more than \$50,000 in payroll taxes yearly or more than \$50,000 in other depository taxes yearly should enroll in the Electronic Federal Tax Payment System (EFTPS) and make their tax payments electronically as required. See Publication 509 for special September EFTPS deposit dates.*

# Don't Underestimate Yourself

## TAXING CONCERNS FOR SMALL BUSINESSES

### The Do-It-Yourself Social Security Program

The Social Security system, our national retirement program since 1933, is funded directly by taxpayers. Social Security and Medicare taxes are deducted from virtually every pay check in the country, helping to provide retirement income and Medicare coverage. But if you are self-employed, you pay for your coverage through the self-employment tax that you must pay along with your federal income tax each year.

For the most part, if you carry on a trade or business as a sole proprietor, an independent contractor, a member of a partnership, or are otherwise in business for yourself, then you are self-employed.

Part-time work can qualify as self-employment even if it's work you do in addition to a regular full-time job. If you have net earnings from self-employment of \$400 or more a year, you have to pay the self-employment tax.

In most cases, self-employment income does not include interest, dividends, capital gains, or rent from real estate.

Many self-employed people will have to pay the self-employment tax throughout the year as a part of their

quarterly estimated tax payments. The current tax rate is 15.3 percent. It's important to remember that your self-employment tax will raise the total federal tax you owe. Be sure to take this into account when you determine how much estimated tax to deposit electronically each quarter or how much to include with your Form 1040-ES voucher. When you file your tax return, you must fill out Schedule SE, on which you report your self-employment income and calculate the tax you owe.

*Get free IRS Publication 533, "Self-Employment Tax."*

### How To Survive Paying Taxes

Death and Taxes. Ben Franklin said that they are the only two things in life that are certain. But you don't have to let your tax responsibilities drive you or your business to an early grave.

One problem many new business owners, yourself included, may run into is not budgeting money to set aside for your taxes, whether business or individual. Then you are short on cash when it comes time to file. But file your tax returns anyway!

Don't wait until the time to file and pay has come and gone. Gather your records and file all your tax forms by their due dates — even if you can't pay a cent. Of course, to keep down the interest payments,



try to pay as much as you can. If you receive a notice from the IRS, respond right away. Don't ignore it; it won't go away.

If the next deadline rolls around and you still can't pay, go ahead and file on time. At least you'll avoid the failure-to-file penalty. Along with your return, attach an installment agreement request (Form 9465). You can propose your own monthly payment date and amount using this form. If circumstances make it unlikely that you could pay the full tax even on an installment plan, you can use Form 656 to make an offer to settle your tax account for less than the amount owed.

Thanks to the IRS Restructuring and Reform Act of 1998, beginning in 2000, the failure-to-pay penalty will be half the usual rate for any month in which individuals make installment payments to the IRS. You must have filed on time, though.

The last thing a new business needs is to pay its first profits in penalties to the IRS. So be sure to have a solid business plan that makes accommodations for both state and federal taxes, and stick to it.

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# October

1

Deposit payroll tax for payments on Sep 25-28.

2

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4

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6

Deposit payroll tax for payments on Sep 29-Oct 1.

7

8

Deposit payroll tax for payments on Oct 2-5.

9

10

11

**Columbus Day**

12

Deposit fuel, luxury, retail and manufacturers taxes for the last 5 days of Sep.

13

14

Deposit payroll tax for payments on Oct 6-8.  
Deposit gas, diesel fuel and kerosene taxes for the last 5 days of Sep if the 14-day rule applies.

15

Deposit payroll tax for payments on Oct 9-12.  
Deposit payroll tax for payments in Sep if the monthly deposit rule applies.

16

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18

19

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Deposit payroll tax for payments on Oct 13-15.

21

22

Deposit payroll tax for payments on Oct 16-19.

23

24/31

25

Deposit fuel, luxury, retail and manufacturers taxes for the first 15 days of Oct.

26

27

Deposit payroll tax for payments on Oct 20-22.

28

29

Deposit payroll tax for payments on Oct 23-26.  
Deposit gas, diesel fuel and kerosene taxes for the first 15 days of Oct if the 14-day rule applies.

30

*Avoid penalties and interest — check the tax due date, then file and pay on time.*

# Rules for The Road

## CAR AND TRAVEL EXPENSES

### Car Expenses

To take a business deduction for the use of your car, you must determine whether the use was business or personal.

If the answer is personal, no deduction is allowed. Personal use includes commuting — driving from your home to your regular place of work.

A deduction is allowed to people with multiple jobs or businesses. Driving from home to “business one” is commuting, but driving from “business one” to “business two” is deductible. Also, you are usually allowed to deduct transportation costs for going from your home to a temporary business location, regardless of the distance.

For the most part, there are three kinds of car trips that are tax deductible:

- 1) traveling from one business location to another, 2) making business trips out of town when you have to stay overnight, and 3) going to temporary business locations.

To claim the deduction correctly, a car travel log is essential. You must keep complete and accurate mileage records for each

business use of your car. If you are unable to produce a clear and accurate business mileage record, the IRS may have no choice but to disallow the deduction.

There are two methods for claiming business car expenses: actual expenses or the standard mileage rate.

**Actual Expenses:** You can add all your car operating expenses for the year, including gas, oil, tires, repairs, license fees, garage rental, insurance, and depreciation. Then deduct the percentage of the total that was for business, based on your mileage records of business and personal travel. Deductions for business parking and tolls are separate.

**Standard Mileage Rate:** Instead of tracking car costs, you can use the standard mileage rate. Multiply your business mileage by the standard rate of 32½ cents per mile (rate may change each year). If you use the standard mileage rate, you cannot also claim your actual operating expenses, but you can claim your business parking and tolls.

### Travel Expenses

First, some basic rules. Travel expenses are your “ordinary and necessary” expenses while you are traveling away from home on business. The tax law requires that you show that your trip away from home was primarily for business.

Keep whatever documents you can gather at the time of the trip to prove where you went, why you went there, how long you stayed, and how much you spent. If your travel includes some business and some personal aspects, be sure to keep clear records

showing exactly how much is related to business. Keep the following:

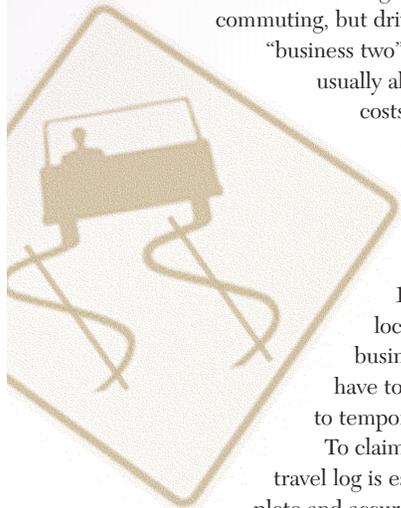
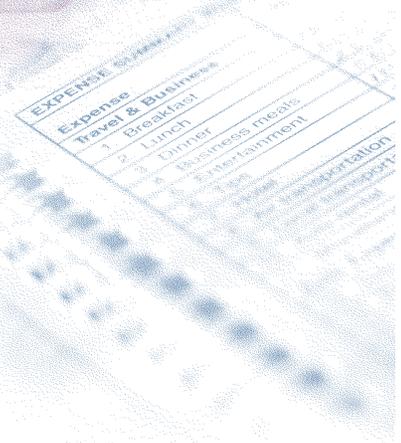
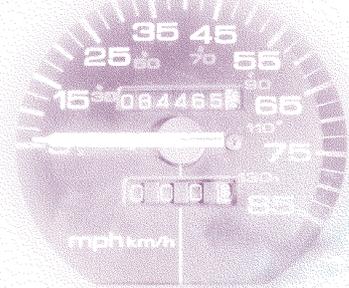
**Lodging receipts:** These should show where you were, how long you were there, and charges. Also keep receipts for cleaning and laundry, telephone charges, and tips.

**Transportation receipts:** These include airplane, train or bus ticket stubs, travel agency receipts, rental car or taxi receipts, etc., all showing the dates and services involved.

**Meal receipts:** Generally, you must keep a log of your meal expenses and save receipts for amounts of \$75 or more. If you do not want to keep track of the actual costs of your meals, you may qualify to use the standard meal allowance. In 1998, the rates were \$30, \$34, \$38, or \$42 a day depending on where and when you are traveling in the United States.

You generally can only claim 50 percent of the cost of your meals while you are traveling — even if you are dining with business associates. Taxes and tips that are part of the cost are also subject to the 50-percent limit.

Get free IRS Publication 463, “Travel, Entertainment, Gift, and Car Expenses,” and Publication 535, “Business Expenses.”



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**1**

File Form 941 for the 3rd quarter of 1999.  
Deposit FUTA tax owed through Sep if more than \$100.  
File Form 720 for the 3rd quarter of 1999.  
File Form 730 and pay the tax on wagers accepted during Sep.  
File Form 2290 and pay heavy vehicle use tax (or the 1st installment) for vehicles first used in Sep.

**2**

**3**

Deposit payroll tax for payments on Oct 27-29.

**4**

**5**

Deposit payroll tax for payments on Oct 30-Nov 2.

**6**

**7**

**8**

**9**

Deposit fuel, luxury, retail and manufacturers taxes for the last 16 days of Oct.

**10**

Deposit payroll tax for payments on Nov 3-5.

**11**

**Veterans Day**

**12**

Deposit gas, diesel fuel and kerosene taxes for the last 16 days of Oct if the 14-day rule applies.

**13**

**14**

**15**

Deposit payroll tax for payments on Nov 6-9.  
Deposit payroll tax for payments in Oct if the monthly deposit rule applies.

**16**

**17**

Deposit payroll tax for payments on Nov 10-12.

**18**

**19**

Deposit payroll tax for payments on Nov 13-16.

**20**

**21**

**22**

**23**

**24**

Deposit payroll tax for payments on Nov 17-19.  
Deposit fuel, luxury, retail and manufacturers taxes for the first 15 days of Nov.

**25**

**Thanksgiving**

**26**

**27**

**28**

**29**

Deposit payroll tax for payments on Nov 20-23.  
Deposit gas, diesel fuel and kerosene taxes for the first 15 days of Nov if the 14-day rule applies.

**30**

File Form 730 and pay the tax on wagers accepted during Oct.  
File Form 2290 and pay heavy vehicle use tax (or the 1st installment) for vehicles first used in Oct.

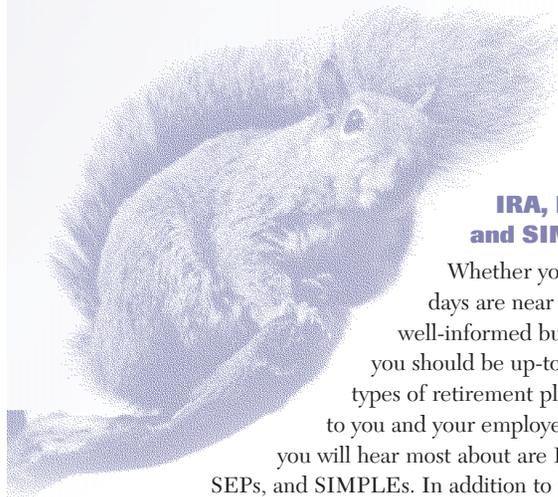
*Use  
941TeleFile  
to file your  
quarterly return  
by phone  
if you are  
eligible.*

# November

# It's Never Too Early...



## PLANNING FOR YOUR FUTURE



### **IRA, Keogh, SEP, and SIMPLE Plans**

Whether your retirement days are near or far, as a well-informed business person you should be up-to-date on the types of retirement plans available to you and your employees. The plans you will hear most about are IRAs, Keoghs, SEPs, and SIMPLEs. In addition to providing for a comfortable retirement, they can have the advantage of offering significant tax benefits today.

**Individual Retirement Arrangement (IRA):** IRAs are savings plans that let you set aside money for your retirement. Banks, financial institutions, mutual funds, and stockbrokers are among those who offer IRS-approved IRA plans.

■ **Traditional IRAs.** You can usually set up this IRA if you are under age 70½ at the end of the year and have taxable compensation greater than or equal to your contribution during the year. Generally, you can contribute up to \$2,000; and it may be tax deductible in full, in part or not at all, depending on your circumstances. The amounts earned by your IRA contributions are usually not taxed until you withdraw the money, and it is presumed at retirement you will be paying a lower tax rate than you do today. Generally, you can't withdraw money from your IRA before you turn age 59½ without paying penalty and income taxes.

■ **Roth IRA.** Regardless of your age, you may be able to set up a Roth IRA. You can generally contribute up to \$2,000 a year depending on your income and any other IRA contributions. You can't deduct your contributions, but if you meet the requirements, earnings grow tax free and withdrawals are tax free.

Self-employed people can participate in the following three plans even if their spouses are covered by a plan.

■ **Keogh:** A Keogh is another plan where taxes can be deferred until retirement. You can generally contribute more to a Keogh than to a traditional IRA. If your Keogh is a "money purchase plan," your contribution can be as much as 25 percent of the employee participants'

compensation. The 25-percent limit is adjusted for your own contribution deductions. If your Keogh is a "profit sharing plan," your contribution can be up to 15 percent of the compensation, but you can vary the amount contributed each year. In either plan, no more than \$30,000 can be contributed for each participant. If you have employees, you usually include them in your Keogh.

■ **Simplified Employee Pension (SEP):** The SEP was specifically designed for small employers and has very few administrative burdens or costs. Your contributions (which can be up to 15 percent of the employees' compensation or \$30,000) are made directly to IRAs that the employer sets up for the employees.

■ **Savings Incentive Match Plan for Employees (SIMPLE):** Generally, you can set up a SIMPLE plan if you have 100 or fewer employees and meet several other requirements. A SIMPLE plan is an arrangement under which an employer makes contributions to employees' IRAs. The two types of plans are the SIMPLE-IRA and SIMPLE 401(k) plans.

Get free IRS Publication 590, "Individual Retirement Arrangements (IRAs) (Including Roth IRAs and Education IRAs)," and Publication 560, "Retirement Plans for Small Business (SEP, Keogh, and SIMPLE Plans)."

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# December

1

Deposit payroll tax for payments on Nov 24-26.

2

3

Deposit payroll tax for payments on Nov 27-30.

4

5

6

7

8

Deposit payroll tax for payments on Dec 1-3.

9

Deposit fuel, luxury, retail and manufacturers taxes for the last 15 days of Nov.

10

Deposit payroll tax for payments on Dec 4-7.

11

12

13

14

Deposit gas, diesel fuel and kerosene taxes for the last 15 days of Nov if the 14-day rule applies.

15

Deposit payroll tax for payments on Dec 8-10.  
Deposit payroll tax for payments in Nov if the monthly deposit rule applies.  
**Corporations.** Deposit the 4th installment of estimated tax for 1999.

16

17

Deposit payroll tax for payments on Dec 11-14.

18

19

20

21

22

Deposit payroll tax for payments on Dec 15-17.

23

24

**Christmas federal legal holiday**

25

**Christmas**

26

27

Deposit payroll tax for payments on Dec 18-21.  
Deposit fuel, luxury, retail and manufacturers taxes for the first 15 days of Dec.

28

29

Deposit payroll tax for payments on Dec 22-24.  
Deposit gas, diesel fuel and kerosene taxes for the first 15 days of Dec if the 14-day rule applies.

30

31

**New Year's federal legal holiday**

*For 2000, remind employees to review their Form W-4 for withholding changes and to fill out Form W-5 if they qualify for and want the advance earned income tax credit.*

# Forms And Publications

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**Tax Publications** – The IRS produces many free publications to help you fill out your tax return and to answer your tax questions. All IRS publications and forms can be downloaded from the Internet or ordered free by calling 1-800-829-3676. Or you can buy a CD-ROM of current and prior year tax forms and publications from the National Technical Information Service (toll free 1-877-233-6767 or at [www.irs.ustreas.gov/cdorders](http://www.irs.ustreas.gov/cdorders)). You can get forms via fax (from your fax machine dial 703-368-9694).

Following are the most popular business publications and related forms.

**Pub 1, Your Rights as a Taxpayer** – explains your rights at each step in the tax process.

**Pub 15, Circular E, Employer's Tax Guide** – Forms 940, 941.

**Pub 15-A, Employer's Supplemental Tax Guide**

**Pub 51, Circular A, Agricultural Employer's Tax Guide**  
Form 943.

**Pub 225, Farmer's Tax Guide** – identifies the kinds of farm income you must report and the different deductions you can take.

Forms 1040 (Schedules A, D, F, J, SE), 4136, 4562, 4684, 4797, 6251.

**Pub 334, Tax Guide for Small Business (For Individuals Who Use Schedule C or C-EZ)** – explains federal tax laws that apply to sole proprietorships.

Forms 1040 (Schedules C, C-EZ).

**Pub 378, Fuel Tax Credits and Refunds** – explains the credits or refunds allowable for the federal excise taxes paid on certain fuels.

Forms 720, 4136, 8849.

**Pub 463, Travel, Entertainment, Gift and Car Expenses** – identifies these business-related expenses that may be deductible.

Forms 2106, 2106EZ.

**Pub 505, Tax Withholding and Estimated Tax**

Forms 1040-ES, 2210, 2210F, W-4, W-4P.

**Pub 509, Tax Calendars for 1999**

**Pub 510, Excise Taxes for 1999** –

covers in detail the various federal excise taxes reported on Form 720. These include environmental taxes; facilities and service taxes on communications and air transportation; fuel taxes; manufacturers' taxes; vaccines; tax on heavy trucks, trailers, and tractors; luxury taxes; and tax on ship passengers. It briefly describes other excise taxes and which forms to use in reporting and paying the taxes.

Forms 11-C, 637, 720, 730, 6197, 6627.

**Pub 533, Self-Employment Tax** – explains the Social Security and Medicare tax for people who work for themselves.

Form 1040 (Schedule SE).

**Pub 534, Depreciating Property Placed in Service Before 1987**

Form 4562.

**Pub 535, Business Expenses**

**Pub 536, Net Operating Losses**

Form 1045.

**Pub 537, Installment Sales** –

explains the tax treatment of property sales arrangements, which provide that part or all of the selling price be paid in a later year. These are installment sales. If you finance the buyer's purchase of your property, instead of having the buyer get a loan or mortgage from a bank (or other lender), you probably have an installment sale.

Form 6252.

**Pub 538, Accounting Periods and Methods** – explains rules for adopting and changing them.

**Pub 541, Partnerships**

Form 1065 (Schedule K-1).

**Pub 542, Corporations**

Forms 1120, 1120-A.

**Pub 544, Sales and Other Dispositions of Assets** –

explains how to figure gain or loss on the sale, exchange or other disposition of business or personal use property. It defines capital and noncapital assets and the tax results of different types of gains and losses.

Forms 1040 (Schedule D), 4797, 8824.

**Pub 547, Casualties, Disasters and Thefts (Business & Non-Business)** – explains how to treat casualty and theft losses. It also explains how to figure and prove your loss and how to treat the reimbursement you receive from insurance or other sources.  
Form 4684.

**Pub 551, Basis of Assets** – explains how to determine the basis of property, which is usually its cost.

**Pub 552, Recordkeeping for Individuals**

**Pub 553, Highlights of 1998 Tax Changes**

**Pub 556, Examination of Returns, Appeal Rights, and Claims for Refund**

Forms 1040X, 1120X.

**Pub 557, Tax-Exempt Status for Your Organization** – explains the rules and procedures that apply to organizations seeking exemption from federal income tax under section 501(a) of the Internal Revenue Code.

Forms 990, 990EZ, 990PF, 1023, 1024.

**Pub 560, Retirement Plans for Small Business** – discusses SEP, Keogh (H.R. 10), and SIMPLE plans that a small business owner, including self-employed, can set up for employees.

Forms 5305-SEP, 5304-SIMPLE, 5305-SIMPLE, and 5500EZ.

**Pub 564, Mutual Fund Distributions** – explains the tax treatment of distributions paid or allocated to an individual shareholder of a mutual fund, and

explains how to figure gain or loss on the sale of mutual fund shares.

Forms 1040 (Schedules B, D), 1099-DIV.

**Pub 575, Pension and Annuity Income** – explains how to report pension and annuity income from a qualified plan; how to figure the taxable part of lump-sum distributions from pension, stock bonus, or profit-sharing plans; and how to roll over distributions from a qualified retirement plan.

Forms 1040, 1040A, 1099-R, 4972.

**Pub 583, Starting a Business and Keeping Records**

**Pub 587, Business Use of Your Home (Including Use by Day-Care Providers)** – explains rules for claiming a deduction for business use of your home and what expenses may be deducted.

Form 8829.

**Pub 590, Individual Retirement Arrangements (IRAs)(Including Roth IRAs and Education IRAs)** – explains the tax rules that apply to IRAs, including IRAs that are part of SEP and SIMPLE plans.

Forms 1040, 1040A, 1099-R, 5329, 8606.

**Pub 594, Understanding the Collection Process** – defines your rights and duties as a taxpayer who owes federal taxes and explains how the IRS fulfills its legal obligation to collect these taxes.

**Pub 595, Tax Highlights for Commercial Fishermen** – is intended for sole proprietors who use Form 1040 (Schedule C or C-EZ) to report profit or loss from fishing.

Forms 1040 (Schedule C), 1099-MISC.

**Pub 598, Tax on Unrelated Business Income of Exempt Organizations** – explains the unrelated business income tax provisions that apply to most tax-exempt organizations that regularly operate a trade or business that has little or no relationship to its exempt purpose.

Form 990-T.

**Pub 908, Bankruptcy Tax Guide**

Forms 982, 1040, 1041.

**Pub 910, Guide to Free Tax Services**

**Pub 911, Direct Sellers** – provides information on figuring income from direct sales and identifies deductible expenses. A direct seller is a person who sells consumer products to others on a person-to-person basis, such as door-to-door, at sales parties, or by appointment in someone's home.

Form 1040 (Schedules C, SE).

**Pub 925, Passive Activity and At-Risk Rules**

Form 8582.

**Pub 939, General Rule for Pensions and Annuities** – covers the General Rule for the taxation of pensions and annuities, which must be used for most nonqualified plans. For example, this method must be used for payments under commercial annuities. The publication contains actuarial tables to figure the tax-free part of annuities.

**Pub 946, How To Depreciate Property**  
Form 4562.

**Pub 947, Practice Before the IRS and Power of Attorney**

Forms 2848, 8821.

**Pub 953, International Tax Information for Businesses** – covers topics of interest to U.S. citizens and resident aliens with foreign investments and nonresident aliens who want to invest in U.S. businesses.

**Pub 954, Tax Incentives for Empowerment Zones and Other Distressed Communities**

Forms 5884, 8844, 8850, 8861.

**Pub 1244, Employee's Daily Record of Tips and Report to Employers**

Forms 4070, 4070-A.

**Pub 1542, Per Diem Rates**

**Pub 1544, Reporting Cash Payments of Over \$10,000 (Received in a Trade or Business)** – explains when and how persons in a trade or business must file a Form 8300 when they receive cash payments of more than \$10,000 from one buyer. It also discusses the penalties for not filing the form.

Form 8300.

**Pub 1546, The Problem Resolution Program of the Internal Revenue Service**

# Helpful Hints

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## **Help and Services from the Social Security Administration**

Employers who need help with a wage reporting question can call the Social Security Administration's (SSA's) Employer Reporting Service Center toll free at 1-800-772-6270.

SSA's wage reporting specialists stationed in cities around the country are experts in paper, magnetic media, and electronic wage reporting. They can help solve even the toughest problems. For the phone number of the specialist serving your area, call the Employer Reporting Service Center.

## **Verify Employee Names and Social Security Numbers (SSNs)**

Here are three convenient ways to verify payroll records for W-2 reporting purposes.

**Phone Verification.** To verify employee names and SSNs, call the service center.

## **Local Social Security Office.**

Contact your nearest Social Security office to verify up to 50 employee names and SSNs.

**Large Volume Requests.** Files larger than 50 names and SSNs may be submitted on paper listings, magnetic tape or diskettes. You must register for this service. For details, call the service center.

## **Online Electronic Filing**

Transmit W-2 data from a personal computer. All you need is a modem and software compatible with SSA's Online Wage Reporting Bulletin Board. Filing is fast and easy, and you'll get transmission acknowledgment and processing status. You must register for this service. The modem dial-in number is (410) 966-8450. For more details, call the service center. Requirements and software specifications are the same as for diskette reporting.

## **Information Bulletin Board**

Access SSA's computer bulletin board, the Employer Information Bulletin Board Service, 24 hours a day, 7 days a week by dialing through your modem (410) 965-1133.

## **Social Security Online**

A special section for employers on SSA's Web site has valuable, up-to-date information and publications. Check out Social Security Online at [www.ssa.gov/](http://www.ssa.gov/) employer on the Internet.

## **Social Security Publications For Employers**

You can download these publications from Social Security Online or call the service center.

## **Pub 42-007, Magnetic Media Reporting - Technical Instruction Bulletin-4 (TIB-4)**

Specifications, requirements, and formats for filing W-2 information using magnetic tape or diskette. Filers using SSA's online electronic W-2 filing service should follow the requirements for diskette reporting in this publication.



## **Pub 31-011, Software Specifications and Edits for Preparing Forms**

**W-2 - Requirements and instructions for automating your paper W-2 process.**

**Pub 16-004, Employer's Guide to Filing Timely and Accurate W-2 Wage Reports** - An instructional guide for preparing paper or magnetic media wage reports.

**Pub 20-005, Critical Links—Names and Social Security Numbers** - A one-page desk reference with tips on entering names in payroll systems and on Form W-2.

**SSA/IRS Reporter** - The latest news on wage and tax reporting, mailed quarterly with IRS Form 941, "Employer's Quarterly Federal Tax Return."

## Setting the Record Straight with the IRS

Making an error or missing a tax filing deadline doesn't have to be a major problem, particularly if you take prompt action to set things right. Following are the proper fix-it procedures:

**Form 941, "Employer's Quarterly Federal Tax Return:"** If you make an error in the amounts of taxes you withheld from employees, attach a statement explaining your mistake and that you are making an appropriate adjustment. However, adjustments to correct income tax withholding errors may only be made in the same calendar year.

**Form 941c, "Supporting Statement to Correct Information:"** Generally, you must fill out this form if the amount of employee wages you reported for a past year was wrong. If that's the case, you may have to fill out two more forms:

**Form W-2c, "Statement of Corrected Income and Tax Amounts," and Form W-3c, "Transmittal of Corrected Income and Tax Statements:"** These forms are used to correct the information about your employees' total earnings and withholding for the year.

**Form 1040X, "Amended U.S. Individual Income Tax Return:"** If you made a mistake on your individual tax return, use this form. If you owe tax, you should send it in with the form.

**Form 1065, "U.S. Partnership Return of Income:"** Check the box for "amended return" on a Form 1065, then follow the instructions. Give each partner a copy of the corrected return.

**Information Returns:** Use the instructions for making corrections that come with the particular form, be it the 1099, 1098, 5498, or W-2G. Since the penalties can rapidly mount from mistakes made on these types of information reporting returns, make the corrections as soon as possible.

**Federal Tax Deposits (FTDs):** You should generally report the corrected amounts on your 941 quarterly tax return. Correct mistakes as soon as

possible to limit any penalties. If you are not required to make your deposits electronically, be sure to include Form 8109 (the FTD coupon) with each deposit.

## A Notice from the IRS: What To Do?

Sometimes the obvious answer is the best one. If you get a notice of any kind from the IRS, open it, read it, then do something about it. Most notices include a deadline for your response, so it's important to be prompt. And if you don't understand your notice, in most cases it will include details on how to get more information.

The IRS writes to people for many reasons. They may need information missing from your tax return. If your notice is about an examination or audit, you will be asked to produce certain information for the examination at a specified time and place. Or, your notice may ask for payment of a tax bill.

Examples of other notices include:

**CP 102:** A math error was found on your 941 quarterly tax return and the IRS believes you owe more tax.

**CP 138:** The tax you overpaid on one tax return was applied to another tax return where you owed tax.

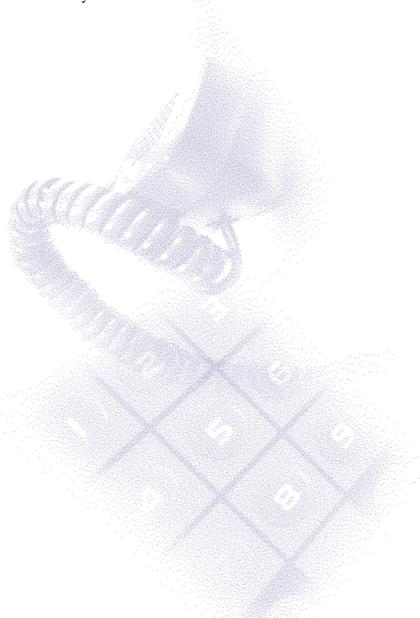
**CP 165:** Your check for your FTD or estimated taxes was returned. This notice asks for the payment, plus a bad check penalty of two percent (the minimum penalty is \$15).

**CP 205:** You used the wrong taxpayer identification number on your FTD coupon.

**CP 2501:** A discrepancy was found between what you reported as your income, credit or deduction and what the IRS had on file.

Whether or not you agree with the notice, be sure you call or write the contact listed on the notice, or call your local IRS office before the deadline. It is important to let the IRS know that you got the notice and are doing something about it.

A quick response can reduce the amount of correspondence between you and the IRS. Procrastination, especially in the case of notices requesting payment, can increase the amount you owe by adding interest and penalties to your bill.



# Taxpayer Rights

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## **Protection of Your Rights**

IRS employees will explain and protect your rights as a taxpayer throughout your contact with the IRS.

## **Payment of Only the Correct Amount of Tax**

You are responsible for paying only the correct amount of tax due under the law — no more, no less.

## **Privacy and Confidentiality**

The IRS will not disclose to anyone the information you give, except as authorized by law. You have the right to know why the IRS is asking you for information, how it will be used, and what happens if you do not provide requested information.

## **Professional and Courteous Service**

If you believe that an IRS employee has not treated you in a professional manner, you should tell that employee's supervisor. If the supervisor's response is not satisfactory, you should write to your IRS District Director or Service Center Director.

## **Representation**

You may either represent yourself, or with proper written authorization, have someone else represent you. You can

have someone accompany you at an interview. You may make sound recordings of any meetings with examination or collection personnel, provided you tell the IRS in writing 10 days before the meeting.

## **Help from Taxpayer Advocates**

Taxpayer advocates can help you with unresolved tax problems and can offer you special help if you have a significant hardship as a result of a tax problem. For more information, write to the taxpayer advocate at the District Office or Service Center where you have the problem, or call toll free 1-877-777-4778 (1-800-829-4059 for TDD users).

## **Appeals and Judicial Review**

If you disagree with the IRS about the amount of your tax liability or certain collection actions, you have the right to ask the IRS Appeals Office to review your case. You may also ask a court to review your case in certain situations.

## **Relief from Certain Penalties**

The IRS will waive penalties when allowed by law if you can show you acted reasonably and in good faith or relied on the incorrect advice of an IRS employee.

## **Examinations, Appeals, Collections and Refunds**

### **Examinations (Audits)**

The IRS accepts most taxpayers' returns as filed. If the IRS inquires about your return or selects it for examination, it does not suggest that you are dishonest. The inquiry or examination may or may not result in more tax. Your case may be closed without change; or you may receive a refund.

### **Repeat Examinations**

If the IRS examines your tax return for the same items in either of the two previous years and proposed no change to your tax liability, please call as soon as possible so the IRS can determine whether to discontinue the repeat examination. Publication 556, "Examination of Returns, Appeal Rights, and Claims for Refund," will give you more information about the rules and procedures of an IRS examination.

### **Appeals**

If you do not agree with the examiner's findings, you can appeal them to the Appeals Office. Most differences can be settled without expensive and time-consuming court trials. Your appeal

rights are explained in Publication 5, "Appeal Rights and Preparation of Protests for Unagreed Cases."

If you do not wish to use the Appeals Office or disagree with its findings, you can take your case to the U.S. Tax Court, U.S. Court of Federal Claims, or the U.S. District Court where you live. If the court agrees with you on most issues in your case, and finds that the IRS' position was largely unjustified, you may be able to recover some of your administrative and litigation costs.

### **Collections**

Publication 594, "Understanding The Collection Process," explains your rights and responsibilities regarding payment of federal taxes, when you have not paid enough tax, making arrangements to pay your bill, and what happens when you take no action to pay. This covers liens, levies, seizures and sales, and release of property.

*Get free IRS Publication 1, "Your Rights as a Taxpayer."*

# Working to Put Service First

## **Small Business Help from the IRS**

At one time or another, every small business person has tax questions. You may be surprised to learn that the IRS offers a variety of assistance to small business owners, from free informational publications, educational videos, walk-in offices, and a toll-free assistance line, to classes and workshops.

## **Small Business Workshops**

Specially-trained IRS employees and volunteer tax professionals teach free year-round Small Business Workshops sponsored by the IRS. The topics may include employment taxes, federal tax deposits, quarterly returns, accounting and bookkeeping methods, and other topics geared to help the self-employed and small business owners meet their federal tax obligations.

## **Small Business Tax Education Program (STEP)**

In-depth tax courses, seminars, and one- or two-day classes on business topics and tax issues are also offered through a unique partnership between the IRS and community-based organizations and educational institutions.

The costs for these sessions vary. Some are offered free as a community service. Courses offered through a community college may include tuition, while others charge a small fee to cover their administrative costs.

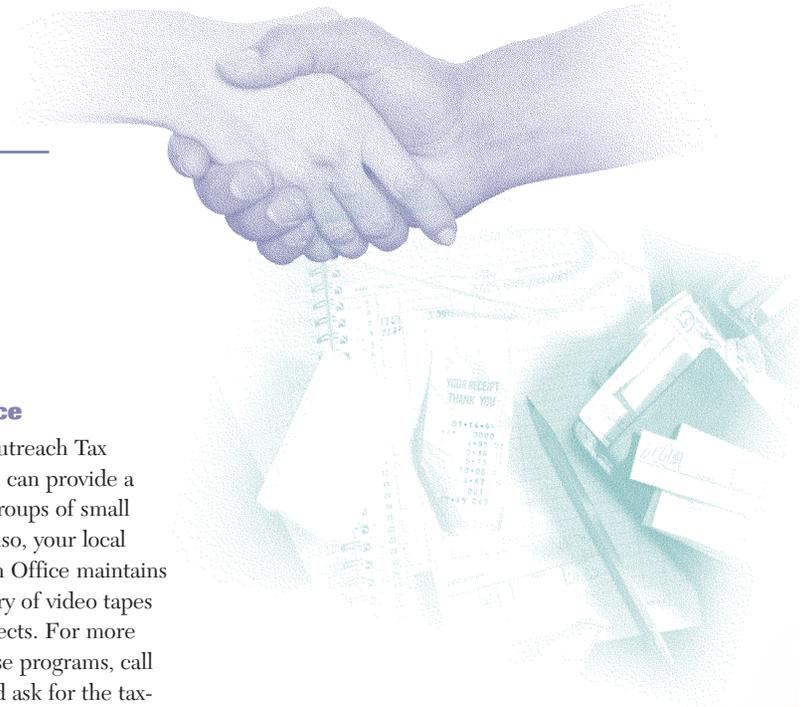
## **Other Assistance**

The Community Outreach Tax Education program can provide a speaker to talk to groups of small business owners. Also, your local Taxpayer Education Office maintains a free lending library of video tapes on a variety of subjects. For more information on these programs, call 1-800-829-1040 and ask for the taxpayer education coordinator.

## **Your Business Tax Kit (YBTK)**

YBTK is a free kit of various IRS business forms and publications that may be used to prepare and file business tax returns.

To order, call 1-800-829-3676 and ask for Publication 454, "Your Business Tax Kit."



# IRS Assistance

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## Working to Put Service First

### Internet

**Web Site.** The IRS' Web site allows convenient access to information 24 hours a day. The Web site provides everything from tax forms, instructions, publications, and important tax changes to information for individuals and businesses, frequently asked questions, taxpayer help and education, and much more. You can reach the Web site at:

WWW - [www.irs.ustreas.gov](http://www.irs.ustreas.gov)

FTP - [ftp.irs.ustreas.gov](ftp://ftp.irs.ustreas.gov)

Telnet - [iris.irs.ustreas.gov](telnet://iris.irs.ustreas.gov)

**IRS Electronic Bulletin Board (IRIS)**  
703-321-8020

### IRS Tax Fax

IRS Tax Fax provides the most frequently requested tax forms with instructions as well as other information. From your fax machine dial 703-368-9694. Follow the voice prompts and key in your response. Select up to three items during a single call to be immediately faxed back.

### CD-ROM (Publication 1796)

Buy a CD of current and prior year tax forms and publications from the National Technical Information Service (NTIS). Order by calling toll free 1-877-233-6767 (cost is \$25) or via the Internet at [www.irs.ustreas.gov/cdorders](http://www.irs.ustreas.gov/cdorders) (cost is \$18).

### TeleTax

1-800-829-4477

TeleTax is the IRS toll-free telephone service that provides both recorded tax information and automated refund information. About 140 recorded topics provide basic tax information. For the directory of topics, listen to topic 123. This Touch-Tone service is available 24 hours a day, 7 days a week.

### Tax Forms and Publications

1-800-829-3676

### Tax Assistance

1-800-829-1040

24 hours a day, 7 days a week

### Public Liaison and Small Business Affairs

This office meets with trade associations, small business owners, and their representatives to listen to the concerns of the small business community and work with other IRS offices to help them understand business owners' needs and concerns. The office recommends changes to tax laws, IRS policies and procedures that are unfair or cause undue hardship and meets with other agencies to help reduce duplication and wasted effort. (Individual tax problems should be handled by contacting your local district office.)

To contact the office, write to:

### Internal Revenue Service

Office of Public Liaison and  
Small Business Affairs  
CL:PL Room 7559  
1111 Constitution Avenue, NW  
Washington, DC 20224

### EFTPS Customer Service

1-800-555-4477 or 1-800-945-8400

Call to enroll in EFTPS or for assistance in making electronic tax payments.

### Other Resources

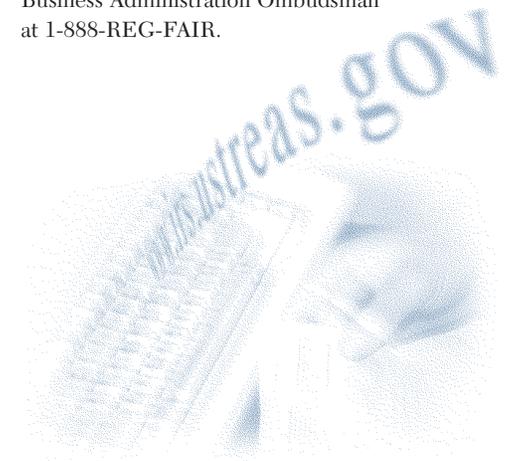
#### Social Security Administration

6401 Security Blvd  
Baltimore, MD 21235  
1-800-772-1213  
[www.ssa.gov](http://www.ssa.gov)

#### Small Business Administration

409 3rd Street SW  
Washington, DC 20416  
1-800-U-ASK-SBA  
[www.sba.gov](http://www.sba.gov)

You may participate in the regulatory process and comment on enforcement actions of the IRS by calling the Small Business Administration Ombudsman at 1-888-REG-FAIR.





Department of the Treasury  
**Internal Revenue Service**

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**[www.irs.ustreas.gov](http://www.irs.ustreas.gov)**

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